

Message Text

LIMITED OFFICIAL USE

PAGE 01 GABORO 00181 040951Z

22

ACTION OPIC-06

INFO OCT-01 AF-06 ISO-00 EB-07 /020 W
----- 041760

P R 031515Z FEB 76
FM AMEMBASSY GABORONE
TO SECSTATE WASHDC 7597
INFO AMEMBASSY MASERU
AMEMBASSY MBABANE

LIMITED OFFICIAL USE GABORONE 0181

E.O. 11652: N/A
TAGS: EFIN, BC
SUBJECT: GULF RESOURCES NEGOTIATIONS

REF: A) STATE 014094, B) STATE 011804

DEPT PASS OPIC

1. GULF RESOURCES REPS ARRIVED GABORONE JANUARY 27 AS SCHEDULED AND CONDUCTED INTENSIVE NEGOTIATIONS WITH GOB, DEPARTING FEBRUARY 2. BUTLER AND BOWMAN ARE RETURNING TO THE UNITED STATES IMMEDIATELY AND EVANS AND HOLD WILL PROCEED TO AUSTRALIA AND JAPAN. BASED ON CONVERSATIONS WITH REPS PRIOR TO THEIR DEPARTURE AND SUBSEQUENT DISCUSSIONS WITH MEMBERS OF GOVERNMENT NEGOTIATING TEAM, IT APPEARS THAT QUESTIONS SUCH AS THOSE RELATING TO THE SPECIAL PROSPECTING LICENSE, MINING CONCESSIONS, TAXES, IMPORT DUTIES, DEPRECIATION, EQUITY PARTICIPATION WERE DISCUSSED TO A MUTUALLY SATISFACTORY CONCLUSION. MAJOR UNRESOLVED QUESTION IS THAT OF ROYALTIES. GULF REPS LEFT WITH GOB MEMORANDUM TO BE PRESENTED TO GULF BOARD OF DIRECTORS WHICH CONTAINS ROYALTY CLAUSE WITH WHICH GULF REPS COULD NOT AGREE. GULF AT THE SAME TIME, PROPOSED ALTERNATIVE.

2. GOB POSITION IS APPROXIMATELY AS FOLLOWS:
DURING PAY-OFF PERIOD, ROYALTIES WILL BE PAYABLE AT THE TIME OF THE SALE BASED ON GROSS MARKET VALUE OF PRODUCT AT A RATE OF 5PERCENT PROVIDED ALWAYS THAT NOT WITHSTANDING THE FOREGOING, ROY-
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 GABORO 00181 040951Z

ALTIES IN NO CASE WILL BE BY LESS THAN RAND 1.5 MILLION OF RHT

FIRST, SECOND AND THIRD YEARS AND NOT LESS THAN RAND 3.5 MILLION FOR THE FOURTH THROUGH SEVENTH YEARS, ASSUMING ONE MILLION TONS SODA ASH PRODUCTION CAPACITY.

3. GULF POSITION IS GENERALLY AS FOLLOWS: FIVE PER CENT OF THE GROSS MARKET VALUE PROVIDED THAT, UNTIL LOANS HAVE BEEN FULLY PAID, THE COMPANY SHALL HAVE THE RIGHT IN ANY GIVEN YEAR TO DEFER ROYALTIES PAYABLE FOR EACH YEAR TO THE EXTENT THAT SUCH ROYALTIES EXCEED 50PERCENT OF THE NET CASH FLOW PAYABLE IN SUCH YEAR, TO ACCUMULATE SUCH DEFERRED ROYALTIES FOR PAYMENT IN SUBSEQUENT YEARS; HOWEVER, THE MINIMUM ROYALTY IN ANY GIVEN YEAR WILL BE ONE MILLION RAND.

4. GULF REPS APPEARED TO BE SOMEWHAT DISCOURAGED UPON DEPARTURE, FEELING THAT THERE WAS VIRTUALLY NO CHANCE THAT BOARD WOULD ACCEPT GOB POSITION ON ROYALTIES. GOB REPS ON THE OTHER HAND, GAVE EMBOFF EVERY INDICATION THAT GOVERNMENT EXPECTS FURTHER CONVERSATIONS WITH GULF REPS TO RESOLVE "MINOR POINTS".

5. COMMENT: IT APPEARS BOTH SIDES IN CONSIDERING ROYALTY ISSUE ARE PRIMARILY CONCERNED ABOUT ABILITY TO SERVICE DEBT DURING PERIODS OF SHARP DECLINE IN PRODUCTION OR INCOME. GOB WOULD WANT TO BE SURE FUNDS AVAILABLE SERVICE LOANS FOR AILWAY INFRASTRUCTURE AND THAT DEBT SERVICING WOULD NOT BECOME BURDEN ON OTHER SECTORS OF ECONOMY. SECONDARY GOB ARGUMENT IS POLITICAL ONE THAT THEY MUST SHOW VOTERS THEY ARE GETTING "FAIR RETURN" FOR USE OF NATIONAL RESOURCE.

6. IT APPERS GULF WOULD LIKE PRIVATE LENDERS TO HAVE FIRST CALL ON RESOURCES IN EVENT SHORT-FALL IN CASH FLOW; COMPANY APPARENTLY TRYING AVOID SITUATION WHERE IT WOULD BE NECESSARY RESORT ALTERNATIVE FINANCING MEET DEBT SERVICING BURDEN. COST FACTORS, OF COURSE, DIFFICULT BUTTON DOWN WITH PRECISION AT THIS STAGE; FOR EXAMPLE, EQUITY/LOAN RATION AND TERMS OF LOAN FOR INFRASTRUCTURE ARE NOT KNOWN.

7. OUR IMPRESSION IS THAT A GREAT DEAL WAS IN FACT ACCOMPLISHED DURING SHORT NEGOTIATING PERIOD. BASED ON CONVERSATIONS, IT APPEARS THAT BALL IS NOW IN GULF'S COURT. ITS BOARD MUST LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 GABORO 00181 040951Z

DISCUSS BOTSWANA MEMORANDUM AND ROYALTIES PROPOSAL AND MAKE DECISIONS THEREON. ON THE BAIS OF THOSE DECISIONS, GOB REPS EXPECT GULF TO BE PREPARED TO CONTINUE NEGOTIATIONS. BOLEN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATURAL RESOURCES, RAW MATERIALS, EXPLOITATION (NATURAL RESOURCES), MINING CONCESSIONS, TRADE CONCESSIONS, DEVELOPMENT INVESTMENTS, INDUSTRIAL INVESTMENTS, PRIVATE INVESTMENTS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976GABORO00181
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760041-1121
From: GABORONE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760289/aaaaczyg.tel
Line Count: 111
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION OPIC
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 14094, 76 STATE 11804
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 23 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 JUN 2004 by buchant0>; APPROVED <30 JUN 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GULF RESOURCES NEGOTIATIONS
TAGS: EFIN, BC, GULF
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006